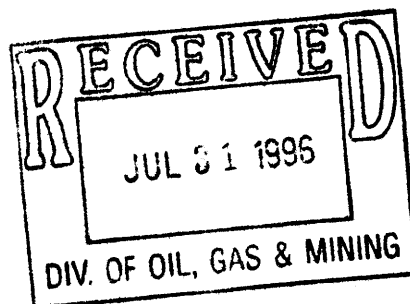


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PEARL QUEEN PERLITE CORPORATION

Mr. Wayne Hedderg
Division Oil, Gas & Mining
Utah Dept. of Natural Resources
P. O. Box 145801
Salt Lake City, Utah 84114



July 29, 1996

Dear Mr. Hedderg:

Pearl Queen Perlite Corporation has applied to the Division of Oil, Gas & Mining (DOGM) for a Large Mine Permit to mine perlite ore near Milford, Utah. I recently telephoned Mr. Thomas Munson of your office and he informed me that our permit application was on hold owing to your limited staff and the understanding that we would not start mining until the end of the year. There is a misunderstanding on our mine start up date.

The plant (located near Milford) is currently under construction. We have storage bins and a dryer on site and are currently constructing foundations for the plant and a rail spur. Our plans are to start crushing and sizing perlite ore in October. We plan to contract out the mining and our intent was to send out the contracts for bid in August.

Our permit was first hand delivered for your review in December of 1995 and we have visited with DOGM personnel a few times since. Your people have completed a site inspection, including a review of vegetation. The mine is on state-owned land and the State decided that no archaeological clearance would be required. We have a Small Mine Permit in place and have submitted a detailed mining plan prepared by a professional mining engineer. The area has been mined in the past, most of it has been "chained," it is not an environmentally sensitive area and the people welcome mining and related jobs. It seems to us that most of the work has been done here and a permit could be issued within a short period of time.

We cannot proceed with contract mining until we have a large mine permit. Further investment (totaling about \$2,500,000) is not warranted until we have the permit. We request that our application be reviewed and that you act on our permit application as soon as it is feasible.

Sincerely,

O. Jay Gatten

OJG/lew

cc: Lowell Braxton
D. Gatten
Permit
Memo

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